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EXCISE

DI6

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INQUIRE=DOC15D
ITEM NO=00085872

ENVELOPE

CDSN = LGX317 MCN = 91192/11980 TOR = 911920923
OTT CZYUW RUEKJCS4423 1920923-CCCC--RUEALGX.
ZNY CCCCC

HEADER

O 110923Z JUL 91
FM JOINT STAFF WASHINGTON DC
INFO RUEADWD/OCSA WASHINGTON DC
RUENAAA/CNO WASHINGTON DC
RUEADWD/PTC WASH DC
RUSNNOA/USCINCEUR VAIHINGEN GE
RUFGAID/USEUCOM AIDES VAIHINGEN GE
RUEOFAA/COMJSOC FT BRAGG NC//J2//
RUCQVAB/USCINCSOC INTEL OPS CEN MACDILL AFB FL
RUCJACC/USCINCCENT MACDILL AFB FL//CARA//
RUWSMXI/MAC INTEL CEN SCOTT AFB IL//IN//
RUEOACC/CDRPSYOP GP FT BRAGG NC//ASOF-POG-SB//
RHCGSRB/COMUSARCENT FT MCPHERSON GA//AFRD-DSO//
RUEALGX/SAFE

O 110907Z JUL 91
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2692
INFO RUEHDO/AMEMBASSY DOHA 7691
RUEHKU/AMEMBASSY KUWAIT 0281
RUEHMA/AMEMBASSY MANAMA 9972
RUFHMS/AMEMBASSY MUSCAT 8908
RUEHRH/AMEMBASSY RIYADH 7272
RUFHLD/AMEMBASSY LONDON 4580
RUFHBG/AMEMBASSY LUXEMBOURG 0025
RUEHHK/AMCONSUL HONG KONG 0136
RUEHKO/AMEMBASSY TOKYO 1018
RUEHIL/AMEMBASSY ISLAMABAD 1605
RUEATRS/SECTREASURY WASHDC
BT

CONTROLS

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 04423

E.O. 12356: DECL: OADR

/***** THIS IS A COMBINED MESSAGE *****/

BODY

TAGS: EFIN, TC
SUBJECT: BCCI UPDATE

1. CONFIDENTIAL - ENTIRE TEXT.

2. BEGIN SUMMARY: THE ACTIONS TAKEN BY THE BANK OF ENGLAND AGAINST BCCI DURING THE PAST WEEK, AS WELL AS REACTIONS IN ABU DHABI, HAVE BEEN WIDELY REPORTED IN

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DEPARTMENT OF STATE

() RELEASE () DECLASSIFY
(X) EXCISE (X) DECLASSIFY
() DENY IN PART
() DELETE Non-Responsive Info
FOIA Exemptions B1
PA Exemptions

IS/FPC/CDR

MR Cases Only:
EO Citations

TS authority
() CLASSIFY () S or () C OA
() DOWNGRADE TS to () S or () C OA

DRP Date. 9/8/91

THE LOCAL PRESS, INCLUDING COVERAGE IN THE ARABIC LANGUAGE PAPERS. IN PUBLIC STATEMENTS, THE BANKING AUTHORITIES HAVE GONE TO GREAT LENGTHS TO ASSURE THAT PUBLIC CONFIDENCE IN THE UAE BANKING SECTOR IS NOT AFFECTED. BCCI'S EIGHT BRANCHES IN THE UAE REMAIN CLOSED AND UNDER THE CONTROL OF THE CENTRAL BANK. STATEMENTS BY SENIOR BANKING AUTHORITIES HERE INDICATE THAT DEPOSITS IN THE UAE ARE NOT IN JEOPARDY AND THAT BCCI WILL NOT BE ALLOWED TO SIPHON OFF ANY OF THE FUNDS DEPOSITED WITH BCCI IN ABU DHABI TO COVER LOSSES ELSEWHERE. BANK OF COMMERCE AND CREDIT EMIRATES (BCCE) HELD ITS ANNUAL MEETING A FEW DAYS AHEAD OF SCHEDULE AND STRESSED ITS INDEPENDENCE FROM BCCI AS WELL AS RELEASING ITS FINANCIAL STATEMENTS INDICATING A SOUND POSITION. OPEN CRITICISM OF THE BANK OF ENGLAND'S ACTION AGAINST BCCI IS WIDESPREAD HERE AND SPECULATION CONTINUES ON WHY THE SURPRISE ACTION WAS TAKEN. END SUMMARY.

3. BANK OF CREDIT AND COMMERCE EMIRATES (BCCE) MOVED UP THE DATE OF ITS ANNUAL MEETING OF SHAREHOLDERS BY SEVERAL DAYS IN RESPONSE TO EVENTS OF THE PAST WEEK. AT ITS JULY 9 MEETING CHAIRED BY PRESIDENT OF BCCE SHEIKH NAHYAN BIN MUBARAK AL NAHYAN, IT WAS ANNOUNCED THAT THE 40 SHARE OF BCCE OWNED BY BCCI HAS BEEN DECLARED NULL AND VOID AND IS TO BE OFFERED FOR SALE ONLY TO UAE NATIONALS. FURTHERMORE, BCCE HAS TERMINATED ITS MANAGEMENT CONTRACT WITH BCCI AND DECIDED TO CHANGE THE NAME OF THE BANK IN THE NEAR FUTURE TO EMPHASIZE THE INDEPENDENCE OF BCCE FROM BCCI. NOTICES HAD APPEARED IN THE UAE PAPERS DURING THE WEEK STRESSING THAT BCCE WAS AN INDEPENDENT UAE BANK AND WOULD NOT BE AFFECTED BY THE ACTIONS AGAINST BCCI.

4. 1990 FINANCIAL STATEMENTS FOR BCCE WERE PUBLISHED IN BOTH THE ARABIC AND ENGLISH PRESS ON JULY 10, INDICATING GOOD PERFORMANCE LAST YEAR. INCOME INCREASED FROM 569.3 MILLION DIRHAMS IN 1989 TO 589.5 MILLION DIRHAMS IN 1990, ALTHOUGH OPERATING PROFIT FELL FROM 94.4 MILLION DIRHAMS TO 81 MILLION DIRHAMS. IT WAS REPORTED THAT AFTER SETTING ASIDE 28 MILLION DIRHAMS AS LOAN LOSS PROVISION, NET PROFITS BEFORE APPROPRIATIONS STOOD AT 53 MILLION DIRHAMS, DOWN BY 11.4 MILLION DIRHAMS FROM THE PREVIOUS YEAR. THE BOARD OF DIRECTORS RECOMMENDED A 7.5 PERCENT DIVIDEND TO SHAREHOLDERS, THE FIRST PAID SINCE 1986.

5. SHEIKH NAHYAN ALSO SAID THAT LOANS AND ADVANCES AT THE END OF 1990 HAD DECLINED FROM 3.5 BILLION DIRHAMS TO 3.09 BILLION DIRHAMS REFLECTING THE LOWER LEVEL OF

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BUSINESS ACTIVITY DURING THE GULF CRISIS AND WAR. HE ADDED THAT THIS FIGURE REPRESENTED 60.7 PERCENT OF CUSTOMER DEPOSITS, INDICATING A PRUDENT AND HEALTHY LIQUIDITY LEVEL OF 39.3 PERCENT. COMMENTING ON BCCE'S OPERATIONS SINCE THE ACTION TAKEN BY THE BANK OF ENGLAND AGAINST BCCI, SHEIKH NAHYAN STATED THAT WITHDRAWALS THE FIRST DAY AFTER THE ANNOUNCEMENT WERE 60 MILLION DIRHAMS, FOLLOWED BY 100 MILLION DIRHAMS AND 40 MILLION DIRHAMS ON THE SECOND AND THIRD DAYS, BUT BY JULY 9, THERE WAS ACTUALLY AN INCREASE IN DEPOSITS AS FULL CONFIDENCE IN THE BANK WAS RESTORED. FINALLY NAHYAN ANNOUNCED THAT USD 200 MILLION OF BCCE FUNDS TIED UP IN BCCI HAD BEEN GUARANTEED BY THE ABU DHABI GOVERNMENT.

6. DETAILS ARE STILL SKETCHY HERE ON EXACTLY WHAT HAPPENED TO MAKE THE BANK OF ENGLAND ADOPT ITS COURSE OF ACTION. PRESS COVERGE HAS BEEN EXTENSIVE, AND CRITICISM OF THE BANK OF ENGLAND IN THE NEWSPAPERS HAS

/***** BEGINNING OF SECTION 002 *****/
BEEN WIDESPREAD, OPENLY SUGGESTING THAT THE ACTION WAS TAKEN UNJUSTIFIABLY WITHOUT ADVANCE CONSULTATION WITH ABU DHABI AUTHORITIES. IN FACT, THE SEMI-OFFICIAL EMIRATES NEWS REPORTED ON JULY 10 ON AN ARTICLE CARRIED BY THE BRITISH PAPER THE INDEPENDENT QUOTING SHEIKH NAHYAN AS SAYING HE WAS "VERY ANGRY AT WHAT HAS HAPPENED. THE BANK OF ENGLAND ACTED ARBITRARILY AND WITHOUT CONSULTATION."

7. COMMENT:

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